

390 South 600 East  
St. George, UT 84770  
PHONE/FAX (435) 634-1584

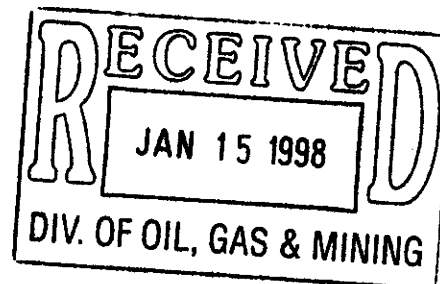
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North Lily Mining Company  
Silver City Operation

January 13, 1998

State of Utah  
Division of Water Quality  
288 North 1460 West  
P.O. Box 144870  
Salt Lake City, Utah 84114-4780  
Attn: Compliance and Monitoring Program



RE: Forth Quarter Monitoring Report 1997

Dear Compliance and Monitoring Personnel:

The following report is submitted to the Division of Water Quality in compliance with Part I.E.1 of the Ground Water Discharge Permit No. UGW230001 issued to North Lily Mining Company in December 1997.

North Lily Mining and International Mahogany (North Lily's joint venture partner) are negotiating a contract with Compliance Technology of Salt Lake City, Utah. Compliance Technology's proposal has been divided into three phases; laboratory testing to determine the most effective system for effluent coming from the Silver City heap leach pad, full-scale design and approval to meet all of the Division of Water Quality's technical criteria, and to supervise the implementation of the full-scale system. This agreement is expected to be signed by the first of February 1998.

North Lily Mining and International Mahogany have also made arrangements with Blue Rock Excavation to cover the grade and compacted subore that will be ripped to a nominal depth of two feet to provide a subsoil for plant rooting. One foot of top soil will be placed on top of the ripped subsurface and seeded in accordance with the Division of Oil, Gas, and Mining reclamation requirements. This work will commence early spring 1998.

Thank you for your consideration, if you have questions, comments or concerning please contact Paul Spor at (801) 634-1584.

Sincerely,

Paul C. Spor

cc: Roger A. Foisy, Division of Water Quality  
Tom Munson, Division of Oil, Gas, and Mining  
Tom Gast, Environmental Management Services

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